

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

First-Class Package Service (FCPS)
Service Standard Changes, 2021

Docket No. N2021-2

PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

(Issued July 19, 2021)

Pursuant to Order No. 5920¹ and 39 C.F.R. §§ 3020.117 and 3020.118, the Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. § 3661(c) regarding First-Class Package Service (FCPS) Service Standard Changes.² To facilitate the inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers. For each question, produce every document (including any calculations, analysis, assumptions, studies, or workpapers) used, relied upon, or referenced in preparing the response. Responses shall be provided as soon as they are available, but no later than July 26, 2021.

The following questions refer to witness Foti's testimony (USPS-T-3):³

1. Please refer to USPS-T-3 at 2. The Postal Service explains that "[t]he Postal Service projects that FCPS will continue to show modest growth...."

¹ Notice and Order on the Postal Service's Request for an Advisory Opinion on Changes in the Nature of Postal Services, June 21, 2021 (Order No. 5920).

² United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, June 17, 2021 (Request).

³ Direct Testimony of Thomas J. Foti on Behalf of the United States Postal Service (USPS-T-3), June 17, 2021; Notice of the United States Postal Service of Revisions to Certain Pages of the Request for an Advisory Opinion, USPS-T-1, USPS-T-2, and USPS-T-3 -- Errata, July 2, 2021 (Errata to Request and Testimony).

- a. How much has FCPS grown so far in FY 2021?
 - b. Please provide a quantitative and qualitative discussion regarding the use of “modest” in this context.
2. Please refer to USPS-T-3 at 3, line 3. Please provide a quantitative and qualitative discussion regarding the use of “enhanced reliability” in this context.
3. Please refer to USPS-T-3 at 7. The Postal Service explains that “[t]he survey compiled results from 458 respondents that currently use FCPS. The survey stratification was designed to encompass FCPS shippers across industrial divisions and average daily shipping frequency.” Please provide an example of the kind of industries and the average shipping frequency for the respondents included in the survey.
4. Please refer to USPS-T-3 at 8. The Postal Service explains that “FTC Survey results show that the majority of sampled FCPS-Commercial shippers stated they would maintain or, in some cases, increase FCPS volumes with these proposed changes.”
 - a. How many shippers said they would maintain FCPS volumes?
 - b. Of those who said they would increase volumes, did they note how much they would increase by? If so, by how much?

The following question refers to witness Kim’s testimony (USPS-T-2):⁴

5. Please refer to USPS-T-2 at 4. “A cost savings of \$304 million is expected as a result of the projected reduction in air capacity across all carriers. An additional \$15 to \$98 million is possible as a result of reducing reliance on higher-cost charters.” Please explain the methodology and assumptions relied upon for the variance between \$15 to \$98 million. In your response, please include a public

⁴ Direct Testimony of Michelle Kim on Behalf of the United States Postal Service (USPS-T-2), June 17, 2021; Errata to Request and Testimony.

discussion of the pros and cons of using this methodology and these assumptions.

6. Please refer to USPS-T-2 at 4 n.6. The Postal Service states that “payments to FedEx and UPS for failure to meet minimum volume commitments – is treated as an institutional cost.”
 - a. Please elaborate on the terms and conditions that require the Postal Service to make payments to FedEx and UPS for failure to meet minimum volume commitments.
 - b. Please discuss the reasons why these payments are treated as an institutional cost.
 - c. Please provide the total annual payments to FedEx and UPS related to failures to meet volume commitments from FY2017 to FY2020 for each fiscal year.
 - d. Please discuss what impact, if any, the Postal Service expects the implementation of the proposal to have on its ability to meet minimum volume commitments to FedEx and UPS.
7. Please refer to USPS-T-2 at 8. “If these preliminary estimates prove valid once more robust modeling efforts are completed, this optimization of the NDC network could result in an additional \$62 to \$116 million in savings.”
 - a. Please confirm that this savings estimate was calculated using assumed increases in capacity utilization. If confirmed, please explain how these estimates were developed. If not confirmed, please provide supporting workpapers.
 - b. Is the Postal Service doing or planning to do more analysis before implementing changes to the NDC network? If so, please describe the nature and scope of that additional analysis, and provide a timeline for the Postal Service plan to provide updated modeling of the NDC network changes.

- c. Please provide a quantitative and qualitative discussion regarding the use of “more robust modeling efforts” in this context.

Ann C. Fisher
Presiding Officer